



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 5/22/2008

GAIN Report Number: E48058

EU-27

Agricultural Situation

European Commission publishes legislative proposals on Health Check of CAP

2008

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Report Highlights:

On Tuesday, 20 May, the European Commission published its legislative proposals for the CAP Reform. The proposals will be sent to the Council and the European Parliament with the intention that agreement is reached in November during the French Presidency of the EU. The policy would then apply from 2009/10.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Brussels USEU [BE2]
[E4]

European Commission publishes 'Health Check' legislative proposals for CAP Reform

On Tuesday, 20 May, the European Commission published its legislative proposals for the Health Check of the CAP. The main features of the proposals are:

- **abolition of set-aside:** it is proposed that the requirement for arable farmers to leave 10 percent of their land fallow be abolished;
- **phasing out of milk quotas by April 2015:** five annual quota increases of one percent between MY 2009/10 and MY 2013/14 are proposed to ensure a 'soft landing';
- **decoupling of support:** the commission proposes to remove the remaining coupled (production linked) payments and shift them to the Single Payment Scheme with the exception of suckler cow, goat and sheep premia, where Member States may maintain current levels of coupled support;
- **moving away from historical payments:** farmers in some Member States receive aid based on what they received during a reference period. Others receive payments based on a regional, per hectare basis. The Commission is proposing a to allow Member States to move to a flatter system as the historical model becomes harder to justify with time;
- **extending SAPS:** ten of the twelve newest Member States apply the simplified Single Area Payment Scheme, which is scheduled to expire in 2010. The Commission proposes extending the scheme to 2013.
- **cross compliance:** it is proposed that cross compliance (aid linked to the respect of environmental, animal welfare and food quality standards) be simplified by withdrawing standards that are not relevant or linked to farmer responsibility. New requirements will be added to retain the environmental benefits of set-aside and improve water management;
- **assistance to sectors with special problems:** currently, Member States may retain 10 percent by sector of their national budget ceilings for direct payments for environmental measures or improving quality and marketing of products in that sector. The proposal implies that the money would no longer have to be used in the same sector, allowing it to be used on other issues including helping farmers producing milk, beef, goat and sheep meat in disadvantaged regions, and supporting risk management measures such as insurance schemes for natural disasters and mutual funds for animal diseases. Additionally, Member States operating the SAPS system would become eligible for the scheme;
- **shifting money from direct aid to Rural Development:** currently, all farmers receiving over €5,000 in direct aid have their payments reduced by 5 percent, and the money is transferred into the Rural Development budget. The Commission proposes to increase this rate to 13 percent by 2012. Additional cuts would be made for larger farms (an extra 3 percent for farms receiving more than €100,000 per year, 6 percent for those receiving over €200,000 and 9 percent for those receiving more than €300,000). The additional funding could be used by Member States to reinforce programs including those relating to climate change, renewable energy, water management and biodiversity;
- **intervention mechanisms:** it is proposed that intervention for durum wheat, rice and pig meat be abolished. Intervention would be set at zero for feed grains, and tendering would be introduced for bread making wheat, butter and skimmed milk powder;
- **payment limitations:** Member States should apply a minimum payment per farm of €250, or for a minimum size of 1 hectare or both;
- **other measures:** a series of small support schemes would be decoupled and shifted to the Single Payment Scheme. For hemp, dried fodder, protein crops and nuts this would happen immediately. For rice, starch potatoes and long fiber flax, there would

be a transitional period. The Commission also proposes to abolish the energy crop premium.

The Health Check represents the last opportunity to adjust the CAP rules before next year's review of the future EU budget takes place. As such, it seems from the measures proposed that one of Agriculture Commissioner Mariann Fischer Boel's main aims is to make the CAP more justifiable to the taxpayer.

The Commission's proposals will next be sent to the Council and the European Parliament with the intention that agreement is reached in November this year during the French Presidency. The policy would then apply from 2009/10. As the EU budget has been agreed only until 2013, the policy can not make any budgetary commitments beyond that date.

Further analysis of this issue will follow during the decision making process.

Related reports from USEU Brussels:

Report Number	Title	Date Released
E47100	European Commission publishes 'Health Check' of the CAP	11/20/2007
This report can be accessed through our website http://useu.usmission.gov/agri/ or through the FAS website http://www.fas.usda.gov/scripts/attacherep/default.asp .		